

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
Central Valley Project, California

CONTRACT BETWEEN THE UNITED STATES AND  
MEYER CREST LIMITED,  
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,  
SETTLING WATER RIGHTS DISPUTES AND  
PROVIDING FOR PROJECT WATER

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THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into by THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made this \_\_\_\_ day of \_\_\_\_\_, 2005, pursuant to the applicable authority granted to it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, including but not limited to Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1262), October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, and MEYER CREST, LIMITED, hereinafter referred to as the Contractor, a corporation, acting pursuant to Sections 12003 and 12004 of the California Water Code, with its principal place of business in California;

WITNESSETH, that:

EXPLANATORY RECITALS

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[1<sup>st</sup>] WHEREAS, the United States has constructed and is operating the Central Valley Project, California, for multiple purposes pursuant to its statutory authority; and

[2<sup>nd</sup>] WHEREAS, the Contractor has rights to divert, is diverting, and will continue to divert for reasonable beneficial use, water from the natural flow of the Sacramento River and tributaries thereto, that would have been flowing therein if the Central Valley Project were not in existence; and

[3<sup>rd</sup>] WHEREAS, the construction and operation of the integrated and coordinated Central Valley Project has changed and will further change the regimen of the Sacramento, American, San Joaquin, and Trinity Rivers and the Sacramento-San Joaquin Delta from unregulated flow to regulated flow; and

[4<sup>th</sup>] WHEREAS, the United States has rights to divert, is diverting, and will continue to divert waters from said Rivers and said Delta in connection with the operation of said Central Valley Project, and

[5<sup>th</sup>] WHEREAS, the Contractor and the United States had a dispute over the respective rights of the parties to divert and use water from the regulated flow of the Sacramento River which threatened to result in litigation, and as a means to settle that dispute entered into Contract No. 14-06-200-8106A, hereinafter referred to as the Existing Contract, which established terms for the delivery to the Contractor of Central Valley Project Water, and the quantities of Base Supply the United States and the Contractor agreed may be diverted by the Contractor from the Sacramento River pursuant to such contract; and

[6<sup>th</sup>] WHEREAS, the United States and the Contractor disagree with respect to the authority of the United States to change the quantities of Base Supply and/or Project Water

1 specified as available for diversion in this Settlement Contract from the quantities specified in  
2 the Existing Contract, and other issues related thereto. That dispute was the subject of litigation  
3 in a lawsuit entitled *Glenn-Colusa Irrigation District, et al. v. United States, et al.* [Civ. No. S-  
4 01-1816 GEB/JFM (E.D. Cal.)], but that litigation was dismissed, without prejudice, pursuant to  
5 a stipulation of dismissal filed by the parties thereto on August 29, 2002. Notwithstanding that  
6 dismissal, the Contractor and the United States enter into this Settlement Contract to renew the  
7 Existing Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and  
8 the laws of the State of California.

9 [7<sup>th</sup>] WHEREAS, to assure the Contractor of the enjoyment and use of the regulated  
10 flow of the said Rivers and the Delta, and to provide for the economical operation of the Central  
11 Valley Project by, and the reimbursement to, the United States for expenditures made for said  
12 Project;

13 NOW, THEREFORE, in consideration of the performance of the herein contained  
14 provisions, conditions, and covenants, it is agreed as follows:

15 DEFINITIONS

16 1. When used herein, unless otherwise expressed or incompatible with the intent  
17 hereof, the term:

18 (a) “Base Supply” shall mean the quantity of Surface Water established in  
19 Articles 3 and 5 which may be diverted by the Contractor from the Sacramento River each month  
20 during the period April through October of each Year without payment to the United States for  
21 such quantities diverted;

22 (b) “Basin-Wide Water Management Plan” shall mean the mutually agreeable  
23 Sacramento River Basinwide Water Management Plan, dated October 11, 2004, developed by

1 Glenn-Colusa Irrigation District, Maxwell Irrigation District, Natomas Central Mutual Water  
2 Company, Pelger Mutual Water Company, Princeton-Codora Glenn Irrigation District, Provident  
3 Irrigation District, Reclamation District 108, Sutter Mutual Water Company, Anderson-  
4 Cottonwood Irrigation District, Meridian Farms Water Company, Reclamation District 1004, and  
5 the U.S. Bureau of Reclamation;

6 (c) “Charges” shall mean the payments for Project Water that the Contractor  
7 is required to pay to the United States in addition to the “Rates” specified in this Settlement  
8 Contract. The Contracting Officer will, on an annual basis, determine the extent of these  
9 Charges. The type and amount of each Charge shall be specified in Exhibit D;

10 (d) “Contract Total” shall mean the sum of the Base Supply and Project Water  
11 available for diversion by the Contractor for the period April 1 through October 31;

12 (e) “Critical Year” shall mean any Year in which either of the following  
13 eventualities exists:

14 (1) The forecasted full natural inflow to Shasta Lake for the current  
15 Water Year, as such forecast is made by the United States on or before February 15 and reviewed  
16 as frequently thereafter as conditions and information warrant, is equal to or less than 3.2 million  
17 acre-feet; or

18 (2) The total accumulated actual deficiencies below 4 million acre-feet  
19 in the immediately prior Water Year or series of successive prior Water Years each of which had  
20 inflows of less than 4 million acre-feet, together with the forecasted deficiency for the current  
21 Water Year, exceed 800,000 acre-feet.

22 For the purpose of determining a Critical Year, the computation of inflow to  
23 Shasta Lake shall be performed in a manner that considers the extent of upstream development

1 above Shasta Lake during the year in question, and shall be used as the full natural flow to  
2 Shasta Lake. In the event that major construction has occurred or occurs above Shasta Lake after  
3 September 1, 1963, and which has materially altered or alters the regimen of the stream systems  
4 contributing to Shasta Lake, the computed inflow to Shasta Lake used to define a Critical Year  
5 will be adjusted to eliminate the effect of such material alterations. After consultation with the  
6 State of California, the National Weather Service, and other recognized forecasting agencies, the  
7 Contracting Officer will select the forecast to be used and will make the details of it available to  
8 the Contractor. The same forecasts used by the United States for the operation of the Project  
9 shall be used to make the forecasts hereunder;

10 (f) "CVPIA" shall mean the Central Valley Project Improvement Act,  
11 Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

12 (g) Omitted;

13 (h) Omitted;

14 (i) Omitted;

15 (j) Omitted;

16 (k) Omitted;

17 (l) "Project" shall mean the Central Valley Project owned by the United  
18 States and managed by the Department of the Interior, Bureau of Reclamation;

19 (m) "Project Water" shall mean all Surface Water diverted or scheduled to be  
20 diverted each month during the period April through October of each Year by the Contractor  
21 from the Sacramento River which is in excess of the Base Supply. The United States recognizes  
22 the right of the Contractor to make arrangements for acquisition of water from projects of others  
23 than the United States for delivery through the Sacramento River and tributaries subject to

1 written agreement between Contractor and the United States as to identification of such water,  
2 which water, when so identified, shall not be deemed Project Water under this Settlement  
3 Contract;

4 (n) "Rates" shall mean the payments for Project Water determined annually  
5 by the Contracting Officer in accordance with the then current applicable water ratesetting  
6 policies for the Project, as described in subdivision (a) of Article 8 of this Settlement Contract;

7 (o) "Secretary" or "Contracting Officer" shall mean the Secretary of the  
8 Interior, a duly appointed successor, or an authorized representative acting pursuant to any  
9 authority of the Secretary and through any agency of the Department of the Interior;

10 (p) "Surface Water" shall mean only those waters that are considered as  
11 surface water under California law;

12 (q) "Water Year" shall mean the period commencing with October 1 of one  
13 year and extending through September 30 of the next;

14 (r) "Year" shall mean a calendar year;

15 (s) "Water-use Season" shall mean the period commencing with  
16 June 15 and extending through September 30 of the same Year; and

17 (t) "Ponds" shall mean the impoundments of water which were formerly log  
18 storage ponds and now used for storage of emergency water for fire protection.

19 TERM OF SETTLEMENT CONTRACT

20 2. (a) This Settlement Contract shall become effective April 1, 2005, and shall  
21 remain in effect until and including March 31, 2030: Provided, that under terms and conditions  
22 mutually agreeable to the parties hereto, renewals may be made for successive periods not to

1 exceed 40 years each. The terms and conditions of each renewal shall be agreed upon not later  
2 than one year prior to the expiration of the then existing Settlement Contract.

3 (b) With respect to Project Water and the portions of this Settlement Contract  
4 pertaining thereto, upon written request by the Contractor of the Secretary made not later than  
5 one year prior to the expiration of this Settlement Contract, whenever, account being taken of the  
6 amount then credited to the costs of construction of water supply works, the remaining amount of  
7 construction costs of water supply work which is properly assignable for ultimate return by the  
8 Contractor as established by the Secretary of the Interior pursuant to (3) of Section 1 of Public  
9 Law 643 (70 Stat. 483), probably can be repaid to the United States within the term of a contract  
10 under subsection 9(d) of the 1939 Reclamation Project Act (53 Stat. 1187), the relevant portions  
11 of this Settlement Contract may be converted to a contract under said subsection 9(d) upon terms  
12 and conditions mutually agreeable to the United States and the Contractor. The Secretary shall  
13 make a determination ten years after the date of execution of this Settlement Contract, and every  
14 five years thereafter, of whether a conversion to a contract under said subsection 9(d) can be  
15 accomplished pursuant to Public Law 643. Notwithstanding any provision of this Settlement  
16 Contract, the Contractor reserves and shall have all rights and benefits under Public Law 643.

17 WATER TO BE FURNISHED TO CONTRACTOR

18 3. (a) Subject to the conditions, limitations, and provisions hereinafter  
19 expressed, the Contractor is hereby entitled and authorized to divert from the Sacramento River  
20 at the locations shown in Exhibit A, for beneficial use within the area delineated on Exhibit B,  
21 (both Exhibits are attached hereto and made a part hereof), the Contract Total designated in  
22 Exhibit A, or any revision thereof.

23 (b) Omitted.

1 (c) Omitted.

2 (d) Nothing herein contained shall prevent the Contractor from diverting  
3 water during the months of November through March for beneficial use on the land shown on  
4 Exhibit B or elsewhere to the extent authorized under the laws of the State of California.

5 (e) The United States assumes no responsibility for and neither it nor its  
6 officers, agents, or employees shall have any liability for or on account of:

7 (1) The quality of water to be diverted by the Contractor;

8 (2) The control, carriage, handling, use, disposal, or distribution of  
9 water diverted by the Contractor outside the facilities constructed and then being operated and  
10 maintained by or on behalf of the United States;

11 (3) Claims of damage of any nature whatsoever, including but not  
12 limited to, property loss or damage, personal injury, or death arising out of or connected with the  
13 control, carriage, handling, use, disposal, or distribution of said water outside of the hereinabove  
14 referred to facilities; and

15 (4) Any damage whether direct or indirect arising out of or in any  
16 manner caused by a shortage of water whether such shortage be on account of errors in  
17 operation, drought, or unavoidable causes.

18 RETURN FLOW

19 4. Nothing herein shall be construed as an abandonment or a relinquishment by the  
20 United States of any right it may have to the use of waste, seepage, and return flow water derived  
21 from water diverted by the Contractor hereunder and which escapes or is discharged beyond the  
22 boundaries of the lands shown on Exhibit B; Provided, that this shall not be construed as  
23 claiming for the United States any right to such water which is recovered by the Contractor

1 pursuant to California law from within the boundaries of the lands shown on Exhibit B, and  
2 which is being used pursuant to this Settlement Contract for municipal and industrial use or  
3 underground storage for the benefit of the lands shown on Exhibit B by the Contractor.

4 CONSTRAINTS ON THE AVAILABILITY OF WATER

5 5. (a) In a Critical Year, the Contracting Officer reserves the right to reduce the  
6 Contract Total shown on Exhibit A to the Contractor: Provided, that the Contractor may divert  
7 from the Sacramento River not in excess of 75 percent of the Contract Total shown on Exhibit A,  
8 subject to the installation of measurement equipment satisfactory to the Contracting Officer. The  
9 Contractor shall install, operate, and maintain this equipment at the Contractor's expense. The  
10 Contractor shall submit, by April 1 of that Critical Year, a written schedule to the Contracting  
11 Officer indicating the Contract Total to be diverted by the Contractor during each month of that  
12 Critical Year under this Settlement Contract.

13 (b) The amount of any overpayment by the Contractor shall, at its option, be  
14 refunded or credited upon amounts to become due to the United States from the Contractor under  
15 the provisions hereof in the ensuing Year. To the extent of such deficiency such adjustment of  
16 overpayment shall constitute the sole remedy of the Contractor.

17 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

18 6. The Contractor and United States desire to work together to maximize the  
19 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States  
20 and the Contractor will work in partnership and with others within the Sacramento Valley,  
21 including other contractors, to facilitate the better integration within the Sacramento Valley of all  
22 water supplies including, but not limited to, the better management and integration of surface  
23 water and groundwater, the development and better utilization of surface water storage, the

1 effective utilization of waste, seepage and return flow water, and other operational and  
2 management options that may be identified in the future.

3 USE OF WATER FURNISHED TO CONTRACTOR

4 7. (a) Project Water furnished by the United States under this Settlement  
5 Contract shall be used by the Contractor only for sprinkling logs and offsetting evaporation  
6 losses from the Ponds, unless the Contractor finds it necessary in an emergency situation to  
7 empty or lower the Ponds. In this event the water diverted to refill the Ponds shall be considered  
8 Project water: Provided, that any such diversion for the refilling of the Ponds during the Water-  
9 use Season shall be subject to prior approval by the Contracting Officer and shall be considered  
10 in excess of the agreed quantity.

11 (b) The Contractor shall comply with requirements applicable to the  
12 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution  
13 of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of  
14 1973, as amended, that are within the Contractor's legal authority to implement. The Existing  
15 Contract, which evidences in excess of 40 years of diversions, for municipal and industrial uses,  
16 of the quantities of water provided for in Article 3, and the underlying water rights of the  
17 Contractor will be considered in developing an appropriate base-line for the Biological  
18 Assessment prepared pursuant to the Endangered Species Act, and in any other needed  
19 environmental review. Nothing herein shall be construed to prevent the Contractor from  
20 challenging or seeking judicial relief in a court of competent jurisdiction with respect to any  
21 biological opinion or other environmental documentation referred to in this Article.



1 allocations. By December 31 of each Year, the Contracting Officer shall provide the Contractor  
2 with the final Rates to be in effect for the upcoming Year, and such notification shall revise  
3 Exhibit D.

4 (c) The Contractor shall pay the United States for Project Water in the  
5 following manner:

6 (1) With respect to Rates and Charges, on or before May 1 of each  
7 Year, the Contractor shall pay the United States the total amount payable pursuant to  
8 subdivision (a) of this Article or such later date or dates as may be specified by the United States  
9 in a written notice to the Contractor.

10 (d) Payments to be made by the Contractor to the United States under this  
11 Settlement Contract may be paid from any revenues available to the Contractor. All revenues  
12 received by the United States from the Contractor relating to the delivery of Project Water or the  
13 delivery of non-Project water through Project facilities shall be allocated and applied in  
14 accordance with Federal Reclamation law and the associated rules or regulations, and the  
15 then-current Project ratesetting policy for municipal and industrial water.

16 (e) The Contracting Officer shall keep its accounts pertaining to the  
17 administration of the financial terms and conditions of its long-term water service and Settlement  
18 Contracts, in accordance with applicable Federal standards, so as to reflect the application of  
19 Project costs and revenues. The Contracting Officer shall, each Year upon request of the  
20 Contractor, provide to the Contractor a detailed accounting of all Project and Contractor expense  
21 allocations, the disposition of all Project and Contractor revenues, and a summary of all water  
22 delivery information. The Contracting Officer and the Contractor shall enter into good faith

1 negotiations to resolve any discrepancies or disputes relating to accountings, reports, or  
2 information.

3 (f) The parties acknowledge and agree that the efficient administration of this  
4 Settlement Contract is their mutual goal. Recognizing that experience has demonstrated that  
5 mechanisms, policies, and procedures used for establishing Rates and Charges and/or for making  
6 and allocating payments, other than those set forth in this Article may be in the mutual best  
7 interest of the parties, it is expressly agreed that the parties may enter into agreements to modify  
8 the mechanisms, policies, and procedures for any of those purposes while this Settlement  
9 Contract is in effect without amendment of this Settlement Contract.

10 (g) For the term of this Settlement Contract, Rates under the respective  
11 ratesetting policies for the Project will be established to recover only reimbursable operation and  
12 maintenance (including any deficits) and capital costs of the Project, as those terms are used in  
13 the then-current Project ratesetting policies, and interest, where appropriate, except in instances  
14 where a minimum Rate is applicable in accordance with the relevant Project ratesetting policy.  
15 Proposed changes of significance in practices which implement the ratesetting policies for the  
16 Project will not be implemented until the Contracting Officer has provided the Contractor an  
17 opportunity to discuss the nature, need, and impact of the proposed change. The Contractor  
18 retains all rights to challenge the validity of Rates and Charges imposed pursuant to this  
19 Settlement Contract, including but not limited to operation and maintenance expenses and  
20 operation and maintenance deficits, in an appropriate administrative or judicial proceeding.

21 (h) Omitted.

22 (i) Omitted.



1 any other person shall become a party to a general adjudication of rights to the use of water of  
2 the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position  
3 of either party hereto or of any other person and the rights of all such persons in respect to the  
4 use of such water shall be determined in such proceedings the same as if this Settlement Contract  
5 had not been entered into, and if final judgment in any such general adjudication shall determine  
6 that the rights of the parties hereto are different from the rights as assumed herein, the parties  
7 shall negotiate an amendment to give effect to such judgment. In the event the parties are unable  
8 to agree on an appropriate amendment they shall, within 60 days of determining that there is an  
9 impasse, employ the services of a neutral mediator, experienced in resolving water rights  
10 disputes, to assist in resolving the impasse. The cost of the mediation will be shared equally. A  
11 failure to reach agreement on an amendment within 60 days of the end of mediation will cause  
12 the immediate termination of this Settlement Contract.

13 (c) In the event that the California State Water Resources Control Board or a  
14 court of competent jurisdiction issues a final decision or order modifying the terms and  
15 conditions of the water rights of either party to this Settlement Contract in order to impose Bay-  
16 Delta water quality obligations, the Contractor and the United States shall promptly meet to  
17 determine whether or not to modify any of the terms of this Settlement Contract to comply with  
18 the final decision or order. If within 60 days of the date of the issuance of the final decision or  
19 order the parties are not able to reach agreement regarding either the need to modify this  
20 Settlement Contract or the manner in which this Settlement Contract is to be modified, the  
21 parties shall promptly retain a neutral mediator, experienced in resolving water right disputes, to  
22 assist the parties in resolving their dispute. The cost of the mediator shall be shared equally. In  
23 the event that either of the parties to this Settlement Contract determines that the parties will not

1 be able to develop mutually-agreeable modification(s) to this Settlement Contract even with the  
2 assistance of a mediator, either of the parties to this Settlement Contract may attempt to resolve  
3 the impasse by seeking appropriate judicial relief including, but not limited to, filing a general  
4 adjudication of the rights to the use of water in the Sacramento River system. The foregoing  
5 provisions of this sub-article shall only apply to the incremental obligations contained within a  
6 final decision or order of the State Water Resources Control Board that reflects a modification to  
7 the obligations imposed in State Water Resources Control Board Revised Water Rights Decision  
8 1641 dated March 15, 2000, and its associated 1995 Water Quality Control Plan which, taken  
9 together, will be considered the baseline for the application of the provisions of this sub-article.

10 (d) In the event this Settlement Contract terminates, the rights of the parties to  
11 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;  
12 and the fact that as a compromise settlement of a controversy as to the respective rights of the  
13 parties to divert and use water and the yield of such rights during the term hereof, this Settlement  
14 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the  
15 Settlement Contract term and segregates it into Base Supply and Project Water shall not  
16 jeopardize the rights or position of either party with respect to its water rights or the yield thereof  
17 at all times after the Settlement Contract terminates. It is further agreed that the Contractor at all  
18 times will first use water to the use of which it is entitled by virtue of its own water rights, and  
19 neither the provisions of this Settlement Contract, action taken thereunder, nor payments made  
20 thereunder to the United States by the Contractor shall be construed as an admission that any part  
21 of the water used by the Contractor during the term of this Settlement Contract was in fact water  
22 to which it would not have been entitled under water rights owned by it nor shall receipt of  
23 payments thereunder by the United States from the Contractor be construed as an admission that

1 any part of the water used by the Contractor during the term of this Settlement Contract was in  
2 fact water to which it would have been entitled under water rights owned by it.

3 MEASUREMENT OF WATER

4 10. (a) All water diverted by the Contractor from the Sacramento River will be  
5 diverted at the existing point or points of diversion shown on Exhibit A or at such other points as  
6 may be mutually agreed upon in writing by the Contracting Officer and the Contractor.

7 (b) The right of ingress to and egress from all points of diversion is hereby  
8 granted to all authorized employees of the United States. The Contractor also hereby grants to  
9 the United States the right to install, operate, maintain, and replace measuring equipment on  
10 diversion or carriage facilities at each point of diversion as the Contracting Officer deems  
11 necessary.

12 (c) The Contractor shall not modify, alter, remove, or replace diversion  
13 facilities or do any other act which would alter the effectiveness or accuracy of the measuring  
14 equipment installed by the United States or its representatives unless and until the Contracting  
15 Officer has been notified with due diligence and has been given an opportunity to modify such  
16 measuring equipment in such manner as may be necessary or appropriate. In the event of an  
17 emergency the Contractor shall notify the United States within a reasonable time thereafter as to  
18 the existence of the emergency and the nature and extent of such modification, alteration,  
19 removal, or replacement of diversion facilities.

20 (d) The Contractor shall pay the United States for the costs to repair, relocate,  
21 or replace measurement equipment when the Contractor modifies, alters, removes, or replaces  
22 diversion or carriage facilities.

1 RULES AND REGULATIONS

2 11. The parties agree that the delivery of Project Water for municipal and industrial  
3 use or use of Federal facilities pursuant to this Settlement Contract is subject to Federal  
4 Reclamation law and the rules and regulations promulgated by the Secretary of the Interior under  
5 Federal Reclamation law.

6 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

7 12. (a) The obligation of the Contractor to pay the United States as provided in  
8 this Settlement Contract is a general obligation of the Contractor notwithstanding the manner in  
9 which the obligation may be distributed among the Contractor's water users and notwithstanding  
10 the default of individual water users in their obligations to the Contractor.

11 (b) The payment of Charges becoming due hereunder is a condition precedent  
12 to receiving benefits under this Settlement Contract. The United States shall not make water  
13 available to the Contractor through Project facilities during any period in which the Contractor  
14 may be in arrears in the advance payment of water Rates due the United States. The Contractor  
15 shall not furnish water made available pursuant to this Settlement Contract for lands or parties  
16 which are in arrears in the advance payment of water rates levied or established by the  
17 Contractor.

18 (c) With respect to subdivision (b) of this Article, the Contractor shall have no  
19 obligation to require advance payment for water Rates which it levies.

20 CHARGES FOR DELINQUENT PAYMENTS

21 13. (a) The Contractor shall be subject to interest, administrative and penalty  
22 charges on delinquent installments or payments. When a payment is not received by the due  
23 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond  
24 the due date. When a payment becomes 60 days delinquent, the Contractor shall pay an  
25 administrative charge to cover additional costs of billing and processing the delinquent payment.  
26 When a payment is delinquent 90 days or more, the Contractor shall pay an additional penalty  
27 charge of six percent per year for each day the payment is delinquent beyond the due date.  
28 Further, the Contractor shall pay any fees incurred for debt collection services associated with a  
29 delinquent payment.

30 (b) The interest charge rate shall be the greater of the rate prescribed quarterly  
31 in the Federal Register by the Department of the Treasury for application to overdue payments,  
32 or the interest rate of one-half of one percent per month prescribed by Section 6 of the  
33 Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be  
34 determined as of the due date and remain fixed for the duration of the delinquent period.

1 (c) When a partial payment on a delinquent account is received, the amount  
2 received shall be applied, first to the penalty, second to the administrative charges, third to the  
3 accrued interest, and finally to the overdue payment.

4 QUALITY OF WATER

5 14. The operation and maintenance of Project facilities shall be performed in such  
6 manner as is practicable to maintain the quality of raw water made available through such  
7 facilities at the highest level reasonably attainable as determined by the Contracting Officer. The  
8 United States does not warrant the quality of water and is under no obligation to construct or  
9 furnish water treatment facilities to maintain or better the quality of water.

10 WATER AND AIR POLLUTION CONTROL

11 15. The Contractor, in carrying out this Settlement Contract, shall comply with all  
12 applicable water and air pollution laws and regulations of the United States and the State of  
13 California, and shall obtain all required permits or licenses from the appropriate Federal, State,  
14 or local authorities.

15 EQUAL OPPORTUNITY

16 16. During the performance of this Settlement Contract, the Contractor agrees as  
17 follows:

18 (a) The Contractor will not discriminate against any employee or applicant for  
19 employment because of race, color, religion, sex, or national origin. The Contractor will take  
20 affirmative action to ensure that applicants are employed, and that employees are treated during  
21 employment, without regard to their race, color, religion, sex, or national origin. Such action  
22 shall include, but not be limited to, the following: Employment, upgrading, demotion, or  
23 transfer; recruitment or recruitment advertising; layoff or termination, rates of payment or other  
24 forms of compensation; and selection for training, including apprenticeship. The Contractor  
25 agrees to post in conspicuous places, available to employees and applicants for employment,  
26 notices to be provided by the Contracting Officer setting forth the provisions of this  
27 nondiscrimination clause.

28 (b) The Contractor will, in all solicitations or advertisements for employees  
29 placed by or on behalf of the Contractor, state that all qualified applicants will receive  
30 consideration for employment without discrimination because of race, color, religion, sex, or  
31 national origin.

1 (c) The Contractor will send to each labor union or representative of workers  
2 with which it has a collective bargaining agreement or other contract or understanding, a notice,  
3 to be provided by the Contracting Officer, advising the said labor union or workers'  
4 representative of the Contractor's commitments under Section 202 of Executive Order 11246 of  
5 September 24, 1965, and shall post copies of the notice in conspicuous places available to  
6 employees and applicants for employment.

7 (d) The Contractor will comply with all provisions of Executive Order  
8 No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders  
9 of the Secretary of Labor.

10 (e) The Contractor will furnish all information and reports required by said  
11 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or  
12 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting  
13 Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with  
14 such rules, regulations, and orders.

15 (f) In the event of the Contractor's noncompliance with the nondiscrimination  
16 clauses of this Settlement Contract or with any of the said rules, regulations, or orders, this  
17 Settlement Contract may be canceled, terminated, or suspended, in whole or in part, and the  
18 Contractor may be declared ineligible for further Government contracts in accordance with  
19 procedures authorized in said amended Executive Order, and such other sanctions may be  
20 imposed and remedies invoked as provided in said Executive Order, or by rule, regulation, or  
21 order of the Secretary of Labor, or as otherwise provided by law.

22 (g) The Contractor will include the provisions of paragraphs (a) through (g) in  
23 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the  
24 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such  
25 provisions will be binding upon each subcontractor or vendor. The Contractor will take such  
26 action with respect to any subcontract or purchase order as may be directed by the Secretary of  
27 Labor as a means of enforcing such provisions, including sanctions for noncompliance:  
28 Provided, however, that in the event the Contractor becomes involved in, or is threatened with,  
29 litigation with a subcontractor or vendor as a result of such direction, the Contractor may request  
30 the United States to enter into such litigation to protect the interests of the United States.

31 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

32 17. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964  
33 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the  
34 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights  
35 laws, as well as with their respective implementing regulations and guidelines imposed by the  
36 U.S. Department of the Interior and/or Bureau of Reclamation.

37 (b) These statutes require that no person in the United States shall, on the  
38 grounds of race, color, national origin, handicap, or age, be excluded from participation in, be  
39 denied the benefits of, or be otherwise subjected to discrimination under any program or activity

1 receiving financial assistance from the Bureau of Reclamation. By executing this Settlement  
2 Contract, the Contractor agrees to immediately take any measures necessary to implement this  
3 obligation, including permitting officials of the United States to inspect premises, programs, and  
4 documents.

5 (c) The Contractor makes this agreement in consideration of and for the  
6 purpose of obtaining any and all Federal grants, loans, contracts, property discounts, or other  
7 Federal financial assistance extended after the date hereof to the Contractor by the Bureau of  
8 Reclamation, including installment payments after such date on account of arrangements for  
9 Federal financial assistance which were approved before such date. The Contractor recognizes  
10 and agrees that such Federal assistance will be extended in reliance on the representations and  
11 agreements made in this Article, and that the United States reserves the right to seek judicial  
12 enforcement thereof.

13 18. Omitted.

14 BOOKS, RECORDS, AND REPORTS

15 19. The Contractor shall establish and maintain accounts and other books and records  
16 pertaining to administration of the terms and conditions of this Settlement Contract, including:  
17 the Contractor's financial transactions, water supply data, and Project land and right-of-way  
18 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use  
19 data; and other matters that the Contracting Officer may require. Reports thereon shall be  
20 furnished to the Contracting Officer in such form and on such date or dates as the Contracting  
21 Officer may require. Subject to applicable Federal laws and regulations, each party to this  
22 Settlement Contract shall have the right during office hours to examine and make copies of each  
23 other's books and official records relating to matters covered by this Settlement Contract.

24 CHANGE OF PLACE OF USE

25 20. Unless the written consent of the United States is first obtained no change shall be  
26 made in the place of water use shown on Exhibit B.

27 21. Omitted.

28 NOTICES

29 22. Any notice, demand, or request authorized or required by this Settlement Contract  
30 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,  
31 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,  
32 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United  
33 States, when mailed, postage prepaid, or delivered to Herbert F. R. Meyer, Jr., 2051 Hilltop  
34 Drive, Redding, California 96002. The designation of the addressee or the address may be  
35 changed by notice given in the same manner as provided in this Article for other notices.

1                    ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

2            23.    (a)    The provisions of this Settlement Contract shall apply to and bind the  
3 successors and assigns of the parties hereto, but no assignment or transfer of this Settlement  
4 Contract or any right or interest therein shall be valid until approved in writing by the  
5 Contracting Officer.

6                    (b)    The assignment of any right or interest in this Settlement Contract by  
7 either party shall not interfere with the rights or obligations of the other party to this Settlement  
8 Contract absent the written concurrence of said other party.

9                    (c)    The Contracting Officer shall not unreasonably condition or withhold his  
10 approval of any proposed assignment.

11                                    OFFICIALS NOT TO BENEFIT

12            24.    No Member of or Delegate to Congress, Resident Commissioner, or official of the  
13 Contractor shall benefit from this Settlement Contract other than as a water user or landowner in  
14 the same manner as other water users or landowners.

15                    CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

16            25.    The expenditure or advance of any money or the performance of any obligation of  
17 the United States under this Settlement Contract shall be contingent upon appropriation or  
18 allotment of funds. Absence of appropriation or allotment of funds shall not relieve the  
19 Contractor from any obligations under this Settlement Contract. No liability shall accrue to the  
20 United States in case funds are not appropriated or allotted.

21                                    CONFIRMATION OF SETTLEMENT CONTRACT

22            26.    The Contractor, after the execution of this Settlement Contract, shall promptly  
23 seek to secure a decree of a court of competent jurisdiction of the State of California, if  
24 appropriate, confirming the execution of this Settlement Contract. The Contractor shall furnish  
25 the United States a certified copy of the final decree, the validation proceedings, and all pertinent  
26 supporting records of the court approving and confirming this Settlement Contract, and  
27 decreeing and adjudging it to be lawful, valid, and binding on the Contractor. This Settlement  
28 Contract shall not be binding on the United States until such final decree has been secured.

29            27.    Omitted.

30                                    PRIVACY ACT COMPLIANCE

31            28.    (a)    The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C. 552a)  
32 (the Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45 et  
33 seq.) in maintaining Landholder acreage certification and reporting records, required to be

1 submitted to the Contractor for compliance with Sections 206 and 228 of the Reclamation  
2 Reform Act of 1982 (96 Stat. 1266), and pursuant to 43 CFR 426.18.

3 (b) With respect to the application and administration of the criminal penalty  
4 provisions of the Act (5 U.S.C. 552a(i)), the Contractor and the Contractor's employees  
5 responsible for maintaining the certification and reporting records referenced in (a) above are  
6 considered to be employees of the Department of the Interior. See 5 U.S.C. 552a(m).

7 (c) The Contracting Officer or a designated representative shall provide the  
8 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau  
9 of Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation--  
10 Interior, Reclamation-31) which govern the maintenance, safeguarding, and disclosure of  
11 information contained in the Landholder's certification and reporting records.

12 (d) The Contracting Officer shall designate a full-time employee of the  
13 Bureau of Reclamation to be the System Manager who shall be responsible for making decisions  
14 on denials pursuant to 43 CFR 2.61 and 2.64 amendment requests pursuant to 43 CFR 2.72. The  
15 Contractor is authorized to grant requests by individuals for access to their own records.

16 (e) The Contractor shall forward promptly to the System Manager each  
17 proposed denial of access under 43 CFR 2.64; and each request for amendment of records filed  
18 under 43 CFR 2.71; notify the requester accordingly of such referral; and provide the System  
19 Manager with information and records necessary to prepare an appropriate response to the  
20 requester. These requirements do not apply to individuals seeking access to their own  
21 certification and reporting forms filed with the Contractor pursuant to 43 CFR 426.18, unless the  
22 requester elects to cite the Privacy Act as a basis for the request.

23 WATER CONSERVATION

24 29. (a) Prior to the diversion of Project Water, the Contractor shall be  
25 implementing an effective water conservation and efficiency program based on the Basin-Wide  
26 Water Management Plan and/or Contractor's water conservation plan that has been determined  
27 by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water  
28 conservation plans established under Federal law. The water conservation and efficiency  
29 program shall contain definite water conservation objectives, appropriate economically feasible  
30 water conservation measures, and time schedules for meeting those objectives. Continued  
31 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the  
32 Contractor's continued implementation of such water conservation program. In the event the

1 Contractor's water conservation plan or any revised water conservation plan completed pursuant  
2 to subdivision (d) of Article 29 of this Settlement Contract have not yet been determined by the  
3 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer  
4 determines are beyond the control of the Contractor, Project Water deliveries shall be made  
5 under this Settlement Contract so long as the Contractor diligently works with the Contracting  
6 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor  
7 immediately begins implementing its water conservation and efficiency program in accordance  
8 with the time schedules therein.

9 (b) The Contractor shall submit to the Contracting Officer a report on the  
10 status of its implementation of the water conservation plan on the reporting dates specified in the  
11 then existing conservation and efficiency criteria established under Federal law.

12 (c) At five-year intervals, the Contractor shall revise its water conservation  
13 plan to reflect the then current conservation and efficiency criteria for evaluating water  
14 conservation plans established under Federal law and submit such revised water management  
15 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then  
16 determine if the water conservation plan meets Reclamation's then current conservation and  
17 efficiency criteria for evaluating water conservation plans established under Federal law.

18 (d) If the Contractor is engaged in direct ground-water recharge, such activity  
19 shall be described in the Contractor's water conservation plan.

20 OPINIONS AND DETERMINATIONS

21 30. (a) Where the terms of this Settlement Contract provide for actions to be  
22 based upon the opinion or determination of either party to this Settlement Contract, said terms  
23 shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or

1 unreasonable opinions or determinations. Both parties, notwithstanding any other provisions of  
2 this Settlement Contract, expressly reserve the right to seek relief from and appropriate  
3 adjustment for any such arbitrary, capricious, or unreasonable opinion or determination. Each  
4 opinion or determination by either party shall be provided in a timely manner. Nothing in  
5 subdivision (a) of Article 30 of this Settlement Contract is intended to or shall affect or alter the  
6 standard of judicial review applicable under Federal law to any opinion or determination  
7 implementing a specific provision of Federal law embodied in statute or regulation.

8 (b) The Contracting Officer shall have the right to make determinations  
9 necessary to administer this Settlement Contract that are consistent with the provisions of this  
10 Settlement Contract, the laws of the United States and of the State of California, and the rules  
11 and regulations promulgated by the Secretary of the Interior. Such determinations shall be made  
12 in consultation with the Contractor to the extent reasonably practicable.

13 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

14 31. (a) In addition to all other payments to be made by the Contractor pursuant to  
15 this Settlement Contract, the Contractor shall pay to the United States, within 60 days after  
16 receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for  
17 such specific items of direct cost incurred by the United States for work requested by the  
18 Contractor associated with this Settlement Contract plus indirect costs in accordance with  
19 applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this  
20 Article shall not exceed the amount agreed to in writing in advance by the Contractor. This  
21 Article shall not apply to costs for routine contract administration.

22 (b) All advances for miscellaneous costs incurred for work requested by the  
23 Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the

1 actual costs when the work has been completed. If the advances exceed the actual costs incurred,  
2 the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's  
3 advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this  
4 Settlement Contract.

5 WAIVER OF DEFAULT

6 32. The waiver by either party to this Settlement Contract as to any default shall not  
7 be construed as a waiver of any other default or as authority of the other party to continue such  
8 default or to make, do, or perform, or not to make, do, or perform, as the case may be, any act or  
9 thing which would constitute a default.

10 CONTRACT ASSIGNMENT OR TERMINATION UPON TRANSFER OF LAND

11 33. (a) The rights and obligations of the Contractor may be transferred in  
12 connection with the transfer of title to the land or any portion thereof delineated on Exhibit B.

13 (b) The Contractor shall notify the Contracting Officer in writing of any  
14 proposed transfer of this Settlement Contract.

15 (c) No transfer of this Settlement Contract shall be effective unless and until  
16 approved by the Contracting Officer, and, if approved, shall be effective from the date of such  
17 approval.

18 (d) Upon mutual agreement between the United States and the Contractor, this  
19 Settlement Contract or a portion thereof may be terminated and the new landowner will have the  
20 privilege of entering into a Settlement Contract for water service for a proportionate share of the  
21 Contract Total.

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TERMINATION

34. This Settlement Contract will terminate upon mutual agreement of the parties prior to the end of the term or any renewal thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Settlement Contract as of the day and year first hereinabove written.

THE UNITED STATES OF AMERICA

By: \_\_\_\_\_  
Regional Director, Mid-Pacific Region  
Bureau of Reclamation

(SEAL)

MEYER CREST, LIMITED

By: \_\_\_\_\_  
President

Attest:

By: \_\_\_\_\_  
Secretary

(H:\pub 440\Sac River Final Draft LTRC's – Willows Office\12-01-04 Meyer Crest Ltd Final Draft Contract with exhibits.doc)

Exhibit A

Meyer Crest, Limited  
Sacramento River

SCHEDULE OF MONTHLY DIVERSIONS OF WATER

	<u>Base Supply</u> (acre-feet)	<u>Project Water</u> (acre-feet)	<u>Contract Total</u> (acre-feet)
April	<u>50</u>	<u>0</u>	<u>50</u>
May	<u>50</u>	<u>0</u>	<u>50</u>
June	<u>30</u>	<u>20</u>	<u>50</u>
July	<u>5</u>	<u>70</u>	<u>75</u>
August	<u>5</u>	<u>70</u>	<u>75</u>
September	<u>5</u>	<u>70</u>	<u>75</u>
October	<u>50</u>	<u>0</u>	<u>50</u>
Total	<u>195</u>	<u>230</u>	<u>425</u>

Points of Diversion: 191.5 R

Dated:

Exhibit B  
(Map to be inserted to identify area covered by contract)

Meyer Crest, Limited  
Sacramento River

Exhibit C

Omitted

Exhibit D  
Meyer Crest, Limited  
Sacramento River

2005 WATER RATES AND CHARGES

COST OF SERVICE RATES:	<u>Per Acre Foot</u>
Capital Rates	(\$ 8.55)
O&M Rates:	
Water Marketing	\$ 3.95
Storage	\$ 6.67
Deficit Rates:	
Interest Bearing	\$ 0.36
CFO/PFR Adjustment Rate 1/	<u>\$ 8.61</u>
<b>TOTAL</b>	<u><b>\$11.04</b></u>

CHARGES UNDER P.L. 102-575 TO THE  
RESTORATION FUND 2/

Restoration Payments (3407(d)(2)(A)) \$15.87

- 1/ Chief Financial Officer (CFO) adjustment and Provision for Replacement (PFR) expense is being distributed over a 5-year period beginning in FY 2003 for those contractors that requested those costs be deferred.
- 2/ Restoration fund charges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund charges are on a fiscal year basis (10/1 - 9/30).